

The meaning of the concept of social capital is quite ambiguous in the literature. But an emphasis on the norms and mores which are necessary for people to adopt for a prosperous economy to take root is one approach. The analytical challenge is to find how these norms can be self-enforcing, or in the case of the infeasibility of self-enforcement how enforcement mechanism can simulate the result that would emerge had the social game been one of pure coordination. {NOTE: Professor Bates made a very important point about the role of NON-COOPERATIVE GAME THEORY in the analytical narrative approach to political economy. Social life is not significantly captured in games of pure coordination --- e.g., driving on the left side or right side of the road. Self-enforcement in these situations is trivial, while self-enforcement or enforcement of cooperative outcomes in NON-COOPERATIVE situations is non-trivial and the 'stuff' of social life}. Social capital (in terms of norms of behavior) has potential for lowering the costs associated with realizing cooperative solutions.

The literature on social capital is ambiguous and the concepts of social capital and civil society, while obviously related, are also discussed in an interchangeable manner. Much of the confusion of the literature stems, in my opinion, from Robert Putnam's work. The social capital acquired within civil society is categorically different from the social capital acquired within state systems of governance. Putnam, unfortunately, sought to see how civil society underpins the state sector. I think the framing of this issue done in classical treatments, say in DEMOCRACY IN AMERICA, is much superior to the modern treatment. Tocqueville stressed the self-governance and bottom-up norms of civil society with the state sector. Civil society is the school of norms and beliefs (shared mental models is one way to think about it in North's language). I have a forthcoming paper being published in a book edited by Steve Pressman on changing conceptions of the state in post communism that addresses this literature.

On a related manner, think of the role of civil society in the former Soviet Union. There was a *samizdat* culture which stood in opposition to the official sector, and there was a black-market economy in the consumer sector and the production sector that sought to satisfy the unmet demand of consumers, and bolster productive efficiency. I discuss these issues in depth in my WHY PERESTROIKA FAILED. But the point I want to bring up here is that in the post-communist situation, the role of civil society is not unambiguous. A few years ago I had to comment on a paper exploring the role of trade associations in Russia. What the research showed was that industries with trade associations suffered the least decline in production and lowest unemployment rate during the reform period. It was inferred from this that the trade associations were a form of civil society which *improved* economic conditions. But we cannot be so quick to pass this normative judgment. In the post communist environment, decline of production in some industries (as negative value added firms are shut down) and increases in unemployment (as workers get allocated to more valuable employment opportunities) are actually positives, while maintaining levels of production and employment might actually

be evidence of the strategic use of the state to protect businesses from competition. The idea that the institutions of “civil society” – when civil society and the state are conflated – may indeed be vehicles for rent-seeking did not occur to the researchers in the study I referred to above.

No doubt, however, that the concepts of social capital and civil society are important components in the development exercises. But we must also continually remind ourselves of the hubris associated with attempts to construct social capital and the institutions of civil society from afar through aid agencies, or even from the top down within an existing political economy. As Tocqueville taught, civil society is the arena of *self-governance* and emerges in a bottom-up manner. The best book to discuss the hubris of state level attempts to construct society is probably James Scott’s SEEING LIKE A STATE.